

\$2,110,000  
General Obligation Bonds  
(Water Pollution Control State Revolving  
Fund Program), Series 2005G  
State of Montana

ARBITRAGE AND REBATE CERTIFICATE AND AGREEMENT

I, MARY SEXTON, being the duly appointed, qualified and acting Director of the Department of Natural Resources and Conservation of the State of Montana (the "Department"), and being authorized by the Board of Examiners of the State of Montana (the "Board of Examiners") in an Indenture of Trust, dated as of June 1, 1991 (the "Original Indenture"), as amended and supplemented by a Second Supplemental Indenture of Trust (Series 1993D), dated as of November 1, 1993, a Third Supplemental Indenture of Trust (Series 1994B), dated as of August 1, 1994, a Fourth Supplemental Indenture of Trust (Series 1996C), dated as of June 15, 1996, a Fifth Supplemental Indenture of Trust (Series 1998A), dated as of March 15, 1998 (the "Fifth Supplemental Indenture"), a Sixth Supplemental Indenture of Trust, dated as of July 1, 1999 (the "Sixth Supplemental Indenture"), a Seventh Supplemental Indenture of Trust (Series 2000B), dated as of April 15, 2000, a Seventh Supplemental Indenture of Trust (Amending Supplemental Indenture), dated as of September 1, 2000, an Eighth Supplemental Indenture of Trust (Series 2001H Bonds), dated as of June 15, 2001, a Ninth Supplemental Indenture of Trust (Series 2002E Notes), dated as of December 1, 2002, a Tenth Supplemental Indenture of Trust (Series 2003D), dated as of June 15, 2003, an Eleventh Supplemental Indenture of Trust (Series 2003F Notes), dated as of October 1, 2003, a Twelfth Supplemental Indenture of Trust (Series 2004A Bonds), dated as of May 1, 2004, a Thirteenth Supplemental Indenture of Trust, dated as of September 1, 2004, a Fourteenth Supplemental Indenture of Trust (Series 2005 Notes), dated as of February 4, 2005, and the Fifteenth Supplemental Indenture of Trust (Series 2005G Bonds), dated as of May 1, 2005 (the "Fifteenth Supplemental Indenture") (together, the "Supplemental Indentures"), each between the Board of Examiners and U.S. Bank National Association, of Seattle, Washington, a national banking association, as successor Trustee (the "Trustee"), to execute a Tax Compliance Certificate (as defined therein) as to the reasonable expectations of the State of Montana (the "State") regarding the use of proceeds of the issuance and sale by the State of its \$2,110,000 State of Montana, General Obligation Bonds (Water Pollution Control State Revolving Fund Program), Series 2005G, dated, as originally issued, as of May 5, 2005 (the "Series 2005G Bonds"), issued under the Original Indenture as amended and supplemented by the Supplemental Indentures (as so amended and supplemented, the "Indenture"), and to implement the covenants of the Board of Examiners under Section 6.07 of the Indenture and Section 6.4 of the Fifteenth Supplemental Indenture with respect to the obligations of the State under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Series 2005G Bonds and related matters, do hereby certify and agree, in the name of and on behalf of the State, as follows:

I. General Provisions and Definitions.

1.1. The Series 2005G Bonds are being issued pursuant to Montana Code Annotated, Title 17, Chapter 5, Part 8, as amended, and Title 75, Chapter 5, Part 11, as amended (collectively, the "Act"), and the Indenture. I, among others, am an officer of the State

responsible for the issuance of the Series 2005G Bonds. This Certificate and Agreement is intended to be, and may be relied upon as, among other things, a certification described in Treasury Regulations, Section 1.148-2(b) and Section 148 of the Code, and is delivered as a part of the transcript of proceedings relating to the Series 2005G Bonds. This Certificate and Agreement comprises the "Tax Compliance Certificate" referred to in the Original Indenture and the Fifteenth Supplemental Indenture with respect to the Series 2005G Bonds.

1.2. I have investigated the facts, estimates and circumstances surrounding the issuance of the Series 2005G Bonds, which are described summarily in this Certificate and Agreement. To the best of my knowledge and belief, such facts, estimates and circumstances are correct and complete and the State's expectations as to future events, which are based thereon, are in all respects reasonable. To the extent that the expectations of the State are based upon estimates and representations made by others, including the Original Purchasers (as that term is defined herein), I have examined such estimates and representations and consider them to be reasonable and correct. Any statements in this Certificate and Agreement involving future events, whether or not expressly so stated, are intended as expectations of the State and not as representations of fact. On the basis of such facts, estimates and circumstances, it is expected that the proceeds of the Series 2005G Bonds will be used in a manner that would not cause the Series 2005G Bonds to be considered "arbitrage bonds" within the meaning of Section 148 of the Code.

1.3. Terms used with initial capital letters but not defined herein shall have the meanings assigned them in the Indenture, the Code or in the Regulations (as hereinafter defined), unless the context hereof clearly requires otherwise. In addition to the definitions assigned capitalized terms used in this Certificate and Agreement by the Indenture, the Code, the Regulations and elsewhere in this Certificate and Agreement, the following terms have the following meanings when used in this Certificate and Agreement:

Available Construction Proceeds means, with respect to a 2005G Construction Loan, as of any date of calculation after the Commencement Date for such 2005G Construction Loan, an amount equal to the sum of the following: (i) the issue price of the Series 2005G Bonds to be used to fund such Loan, less (ii) the costs of issuance of the Series 2005G Bonds allocable to such Loan paid from proceeds thereof (allocated pro rata, in the proportion that the principal amount of the Series 2005G Bonds to be used to fund such Loan bears to the principal amount of the Series 2005G Bonds deposited in the Bond Proceeds Subaccount on the date of this Certificate and Agreement), plus (iii) the investment income derived from the Commencement Date to the date of calculation allocable to the proceeds of the Series 2005G Bonds on deposit in the Series 2005G Bond Proceeds Subaccount to be used to fund such Loan and investment income therefrom after the Commencement Date, as reasonably estimated by the Department, as of the Commencement Date or as realized upon the conclusion of the final spending period, as appropriate.

Bonds means the Series 1996C Bonds, the Series 1998A Bonds, 2000B Bonds, the Series 2001H Bonds, Series 2003D Bonds, Series 2004A Bonds, the Series 2005G Bonds and all other series of Bonds hereafter issued pursuant to the Indenture.

Bond Year means each one-year period (or shorter period from the date of issuance of the Series 2005G Bonds) that ends at the close of business on each June 30

or, if the last Series 2005G Bond is not paid on a June 30, such shorter period from the last preceding July 1 to the date on which the last Series 2005G Bond is paid.

Closing Date means May 5, 2005, the date of issuance and delivery of the Series 2005G Bonds.

Commencement Date means, with respect to any 2005G Loan, the earlier of the following dates: (i) the date of the Closing of the Loan, or (ii) May 5, 2006 or, if the 2005G Loan was funded with proceeds of the Series 2005 Notes, February 4, 2006 (the one-year anniversary of the date of issuance of the Series 2005 Notes).

Completion Date means, with respect to a 2005G Construction Loan, the earlier of: (i) two years after the Commencement Date of the 2005G Construction Loan, or (ii) the date the 2005G Project financed by such 2005G Loan is substantially completed.

Computation Date shall mean an installment computation date (the last day of the fifth and each succeeding fifth Bond Year) and the final computation date (the date the last Series 2005G Bond is discharged). If the Series 2005G Bonds are paid at their Stated Maturities, the installment computation dates for the Series 2005G Bonds shall be June 30, 2009, June 30, 2014, June 30, 2019, and the final computation date shall be July 15, 2020.

Gross Proceeds means, with respect to the Series 2005G Bonds, all proceeds of the Series 2005G Bonds (including sale proceeds and transferred proceeds) and any funds (other than proceeds) that are part of a reserve or replacement fund for the Series 2005G Bonds, including investments allocated to the Series 2005G Bonds in the Loan Loss Reserve Account and Available Construction Proceeds (if the expenditure requirements of paragraph 13.3 hereof are not met or the State otherwise elects) but excluding amounts on hand in the Debt Service Account to the extent provided in paragraph 12.4 hereof.

Investment Property means any security, obligation (other than a Non-AMT Obligation), annuity contract or investment-type property.

2005G Construction Loan means a 2005G Loan, or portion thereof if the 2005G Loan is bifurcated as provided in Section 1.148-7(j) of the Regulations, which constitutes a "construction issue" within the meaning of Section 1.148-7(f) of the Regulations.

2005G Nonqualifying Loan means a 2005G Loan, or portion thereof if the 2005G Loan is bifurcated as provided in Section 1.148-7(j) of the Regulations, which is not a 2005G Construction Loan.

2005G Loan means a Loan made with proceeds of the Series 2005G Bonds or the Series 2005 Notes.

Non-AMT Obligation means any obligation the interest on which is not includable in gross income under Section 103 of the Code and which is

not a "specified private activity bond" (within the meaning of Section 57(a)(5)(C) of the Code).

Nonpurpose Investment means any Investment Property that is not a purpose investment in which Gross Proceeds of the Series 2005G Bonds are invested.

Rebatable Arbitrage means, as of any Computation Date, the excess of the future value of all nonpurpose receipts with respect to the Series 2005G Bonds over the future value of all nonpurpose payments with respect to the Series 2005G Bonds.

Regulations means the Treasury Regulations applicable to the Bonds and promulgated under the Code, including, without limitation, Treasury Regulations, Sections 1.148-0 through 1.148-11, and Sections 1.149(b)-1, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2 of the Treasury Regulations.

Series 2005 Notes means the State of Montana, General Obligation Bond Anticipation Notes (Water Pollution Control State Revolving Fund Program), Series 2005, issued in the maximum authorized principal amount of \$1,500,000 under the Indenture, of which \$500,000 have been advanced as of the date hereof.

Voluntary Computation Date means June 30, 2005, and each June 30 thereafter, excluding Computation Dates.

Yield, with reference to any obligation, means that discount rate which, when computing the present value of all unconditionally payable payments of principal and interest paid and to be paid on such obligation, produces an amount equal to the present value of, with respect to Bonds, the issue price or, with respect to other securities, the purchase price, of the obligation.

Yield of the Series 2005G Bonds means 3.9247396% per annum.

## II. The Purposes of and Security for the Series 2005G Bonds.

2.1. The Bonds are to be issued from time to time for the purpose of providing State matching funds (the "State Match") which will enable the State to obtain certain grants from the United States Environmental Protection Agency (the "EPA") and to fund its Water Pollution Control State Revolving Fund Program (the "Program") or for the purpose of providing funds to refund outstanding Bonds. The State Match and the EPA grants will be used by the State to make loans ("Loans") to certain political subdivisions and certain private concerns in the State (the "Borrowers") for the purpose of financing and refinancing facilities or improvements under the Program. The Program is administered on behalf of the State by the Department of Environmental Quality of the State of Montana (the "DEQ") and the Department of Natural Resources and Conservation of the State of Montana (the "DNRC").

All Outstanding Bonds, including the Series 1996C Bonds, the Series 1998A Bonds, 2000B Bonds, the Series 2001H Bonds, Series 2003D Bonds, and Series 2004A Bonds, are secured equally and ratably under the Indenture by the interest payments to be made on all Loans, investment income on certain accounts in the Revolving Fund, the Loan Loss Reserve

and certain proceeds of the Bonds. In addition, the Bonds are general obligations of the State and the full faith, credit and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

2.2. The Series 2005G Bonds are being issued pursuant to the Indenture and the Act in an aggregate principal amount of \$2,110,000, (i) to provide funds to be used to refund the outstanding principal amount of the Series 2005 Notes, and (ii) to provide the State Match to enable the DNRC to make Loans (the "2005G Loans") to the Borrowers in the amounts primarily identified on Exhibit A hereto (which is hereby incorporated herein and made a part hereof) and, if the DNRC and the DEQ so determine, to other Borrowers (collectively, the "2005G Borrowers"), to provide funds to be used, with other available funds of the Program, to pay eligible costs of administering the Program and to pay costs of issuance associated with the Series 2005G Bonds. The 2005G Loans include those Loans funded with proceeds of the Series 2005 Notes.

2.3. Not more than ten percent (10%) of the proceeds of the Series 2005G Bonds or the facilities financed or refinanced thereby have been or are to be used (directly or indirectly) in a trade or business carried on by any Person (other than a governmental unit), and not more than ten percent (10%) of the payment of the principal of or interest on the Series 2005G Bonds is (directly or indirectly): (a) secured by any interest in property used or to be used in such a trade or business or payments in respect of such property; or (b) derived from payments (whether or not to the State, the DNRC or the 2005G Borrowers) in respect of property or borrowed money, used or to be used in such a trade or business, all within the meaning of Section 141(a) of the Code.

2.4. Not more than five percent (5%) of the proceeds of the Series 2005G Bonds or the facilities financed or refinanced thereby have been or are to be used (directly or indirectly) for any trade or business carried on by any Person (other than a governmental unit) which is not related to any governmental use of such proceeds and not more than five percent (5%) of the payment of the principal of or interest on the Series 2005G Bonds is (directly or indirectly): (a) secured by any interest in property used or to be used in such a trade or business or payments in respect of such property; or (b) derived from payments (whether or not to the State, the Department or the 2005G Borrowers) in respect of property or borrowed money, used or to be used in such a trade or business, all within the meaning of Section 141(a) of the Code.

2.5. None of the proceeds of the Series 2005G Bonds have been or will be used (directly or indirectly) to make or finance Loans to Persons other than governmental units.

2.6. The Series 2005G Bonds are not "hedge bonds" within the meaning of Section 149(g) of the Code. The State expects to expend not less than eighty-five percent (85%) of the expendable proceeds of the Series 2005G Bonds by May 5, 2008, and less than fifty percent (50%) of the proceeds of the Series 2005G Bonds are invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more.

2.7. The Program established by the Board of Examiners under the Act and the Indenture, including the issuance of Bonds, is a governmental program to originate or acquire "program investments" as defined in Section 1.148-1(b) of the Regulations. First, it involves the acquisition of Borrower Obligations (as defined in the Indenture) as acquired purpose obligations from Borrowers throughout the State of Montana. Second, all of the obligations to be acquired

Under the Program are evidences of loans to political subdivisions or to a substantial number of persons representing the general public within the meaning of the Regulations in that each of the Borrower Obligations acquired under the Program will evidence a loan to a governmental unit or a private concern undertaking a water pollution control project, but none of the proceeds of the Series 2005G Bonds will be lent to private concerns. Third, at least 95% of all amounts received by the Board of Examiners with respect to the Borrower Obligations acquired under the Program are required by the Indenture to be used for one or more of the following purposes: (i) to pay the principal of or interest on or otherwise service Bonds, (ii) to reimburse the Board of Examiners of the State for, or to pay, administrative costs of issuing Bonds, (iii) to reimburse the Board of Examiners, the DEQ and the DNRC for, or to pay, administrative and other costs, and anticipated future losses, directly related to the Program, (iv) to make additional Loans under the Program or (v) to redeem and retire Bonds at the next earliest possible date of redemption. Fourth, the Program documents (including the Indenture and the Borrower Resolutions (as defined in the Indenture)) require that no Borrower (or any related person as defined in Section 147(a) of the Code) shall purchase Bonds in an amount related to the amount of the Borrower Obligation to be acquired under the Program from such Borrower by the DNRC. Thus, the Borrower Obligations to be acquired in whole or in part with proceeds of the Series 2005G Bonds are acquired "program investments" (within the meaning of Section 1.148-1(b) of the Regulations), and the Yield thereon is materially higher than the Yield of the Series 2005G Bonds only if, unless the Borrower Obligation is a Non-AMT Obligation, it exceeds the sum of the Yield of the Series 2005G Bonds plus one and one-half percent (1.50%).

2.8. The Series 2005G Bonds are "pooled financing bonds" within the meaning of Section 149(f) of the Code. The requirements of paragraphs (2) and (3) of said Section 149(f) are met, however, since no legal or underwriting costs of the Series 2005G Bonds are contingent and all of such costs are expected to be paid within 180 days after the date hereof, and the State expects, as set forth herein, including paragraph 5.3 hereof, that not less than 95% of the net proceeds of the Series 2005G Bonds will by May 5, 2008, have been used to make loans to Borrowers.

2.9. The Series 2005 Notes were issued in anticipation of the issuance of Definitive Bonds to provide State Match. Of the \$1,500,000 in maximum authorized principal amount of the Series 2005 Notes, \$500,000 have been advanced thereunder as of the date hereof. Of the amount so advanced, \$219,127 remain unexpended as of the date hereof. Such amount shall on the date hereof be transferred to the Bond Proceeds Subaccount in the State Allocation Account relating to the Series 2005G Bonds and constitute transferred proceeds of the Series 2005G Bonds.

The Series 2005 Notes are subject to redemption on the date hereof at a redemption price equal to the principal amount thereof that has been advanced and is outstanding, plus interest accrued thereon. Proceeds of the Series 2005G Bonds in the amount of \$500,000.00 shall be applied on the date hereof to pay the principal portion of the redemption price of the Series 2005 Notes and interest on the Series 2005 Notes shall be paid from available funds in the Debt Service Account.

#### Sources and Disbursements of Funds.

3.1. The State will receive \$2,136,159.20 of proceeds from the sale of the Series 2005G Bonds to D.A. Davidson & Co., of Great Falls, Montana, and Piper Jaffray & Co., of Denver, Colorado (together, the "Original Purchasers"). On the basis of representations made to the State by the Original Purchasers in Exhibit B hereto (which is hereby incorporated herein and made a part hereof), the price paid by the Original Purchasers for the Series 2005G Bonds is reasonable under customary standards applicable in the municipal bond market. This amount represents payment of \$2,136,159.20 for the principal of the Series 2005G Bonds (which price reflects net original issue premium of \$61,501.70 and underwriters' discount of \$35,342.50), no interest having accrued on the Series 2005G Bonds to the date hereof. The Original Purchasers have represented in Exhibit B hereto that the initial reoffering price of the Series 2005G Bonds to the public is \$2,171,501.70, and that a substantial amount of each stated maturity of the Series 2005G Bonds have been sold at prices resulting in such issue price.

3.2. The proceeds of sale of the Series 2005G Bonds will be deposited into the funds and accounts established pursuant to the Act and the Indenture as follows:

State Allocation Account	\$1,568,700.00
SRF Administration Account	35,623.33
Debt Service Account	500,000.00
Cost of Issuance Account	<u>31,835.87</u>
Total	\$2,136,159.20

The proceeds of the Series 2005G Bonds deposited to the Debt Service Account will be applied on the date hereof to redeem the Series 2005 Notes as described in paragraph 2.9 hereof.

#### IV. Yield of the Series 2005G Bonds and Acquired Obligations.

4.1. No other obligations of the State are being (a) sold at substantially the same time as the Series 2005G Bonds, (b) sold pursuant to the same plan of financing as the Series 2005G Bonds, and (c) paid out of substantially the same source of funds as will be used to pay the Series 2005G Bonds, within the meaning of Section 1.150-1(c) of the Regulations.

4.2. As shown in the schedules prepared by the Original Purchasers, and attached to Exhibit B, the Yield of the Series 2005G Bonds (without taking into account costs of issuance relating thereto and on the basis of the initial reoffering price of the Series 2005G Bonds to the public) is 3.9247396% per annum. In computing the Yield of the Series 2005G Bonds, the Series 2005G Bonds with a stated maturity in 2018 are treated as if they were optionally redeemed on July 15, 2015 at their stated redemption price, pursuant to Section 1.148-4(b)(3)(ii)(B) of the Regulations, since that produces the lowest yield on the Series 2005G Bonds.

Based on the determinations made in paragraph 4.3 hereof, the Yields of the 2005G Loans are not materially higher than the Yield of the Series 2005G Bonds. All such Yields have been computed in accordance with Section 148 of the Code and Sections 1.148-4 and 1.148-5 of the Regulations.

4.3. All of the 2005G Loans are expected to be Non-AMT Obligations. If a Loan is not an Non-AMT Obligation (a "Non-Exempt Loan"), such Non-Exempt Loan is expected to bear interest (including, in addition to the interest borne by the Borrower Obligation, the Administrative Fee, the Administrative Expense Surcharge and the Loan Loss Reserve Surcharge (each as defined in the Indenture) at a Yield less than the Yield of the Bonds of the series the proceeds of which fund the Non-Exempt Loan. In any event, the State covenants and agrees that the Yield on a Non-Exempt Loan shall not be materially higher (i.e., one and one-half percent higher) than the Yield of the Bonds of the series the proceeds of which fund the Non-Exempt Loan. As described in paragraph 2.8 hereof, the Loans are acquired program investments within the meaning of Section 1.148-1(b) of the Regulations.

#### V. Funds and Accounts.

5.1. The Act and the Indenture establish within the State Treasury the Revolving Fund and the following accounts therein: the Federal Allocation Account, the State Allocation Account, the Loan Account, the SRF Administration Account, the Debt Service Account, and the Rebate Account. The State Allocation Account comprises two subaccounts: the Bond Proceeds Subaccount and the Revenue Subaccount. The Revenue Subaccount comprises two further subaccounts: a Principal Subaccount and an Investment Subaccount. Within the State Treasury but outside the Revolving Fund, there have also been established the Special Administrative Costs Account, the Loan Loss Reserve Account and the Cost of Issuance Account. All of the funds and accounts are held by the Trustee under the Indenture as the agent of the State Treasurer.

5.2. Under the Act, the Legislature has appropriated to the Federal Allocation Account all amounts received by the State as EPA Capitalization Grants for the Revolving Fund and grants or transfers of grants received under subchapter II of the Clean Water Act for construction of water pollution control projects. As interim grant payments are received by DEQ from EPA, such funds are to be remitted to the Trustee for deposit in Federal Allocation Account and immediate transfer to the Loan Account pursuant to Section 5.06 of the Indenture.

5.3. The net proceeds of a series of Bonds (other than net proceeds to be credited to the SRF Administration Account or to be applied to the refunding of Bonds) and the principal portion of Loan Repayments are to be credited, respectively, to the Bond Proceeds Subaccount and the Principal Subaccount in the State Allocation Account. Amounts in these Subaccounts in the State Allocation Account are to be transferred, with certain money in the Investment Subaccount therein, to the Loan Account to fund Loans pursuant to Section 5.04 of the Indenture. Such transfers will generally be made only on the dates grant money is received from EPA, and each transfer, apart from the initial administrative fee charged by the DNRC, will be in an amount equal to 16.67% of the portion of the Loan then to be disbursed. Interest earnings on investments of amounts in the Bond Proceeds Subaccount and in the Revenue Subaccount are to be transferred to the Debt Service Account or transferred to or retained in the Investment Subaccount, respectively.

From the proceeds of the Series 2005G Bonds, \$1,568,700.00 are to be deposited in the State Allocation Account. Such funds are expected to fund the 2005G Loans to the 2005G Borrowers listed on Exhibit A hereto. In addition, \$500,000.00 of the proceeds of the Series

2005G Bonds are to be deposited in the Debt Service Account to refund the outstanding principal amount of the Series 2005 Notes.

5.4. There is to be deposited in the Investment Subaccount in the Revenue Subaccount under Section 5.04 of the Indenture investment income on the Accounts in the Revolving Fund, excluding the Bond Proceeds Subaccount in the State Allocation Account, the Special Administrative Costs Account and the Rebate Account. If on any interest payment date, the amount on hand in the Debt Service Account is insufficient to pay the principal of, redemption price, if any, of and interest on the Bonds then due, the State Treasurer is to transfer from the Investment Subaccount to the Debt Service Account the amount of the deficiency to the extent funds are available therein. The State Treasurer is also to transfer funds in the Investment Subaccount to the Rebate Account to the extent required to meet the requirements thereof.

5.5. Funds in the Cost of Issuance Account are to be used to pay costs of issuance of Bonds in accordance with Section 5.10 of the Indenture. On the date of issuance of the Series 2005G Bonds, \$31,835.87 of the proceeds thereof will be deposited in the Cost of Issuance Account and used to pay costs of issuance of the Series 2005G Bonds. Interest earnings on the Cost of Issuance Account are to be transferred to the Special Administrative Costs Account or, to the extent requested in a certificate of a DNRC Representative, to the Bond Proceeds Subaccount in the State Allocation Account or to the SRF Administration Account.

5.6. The Loan Account is the repository of the funds of the Program to make loans to Borrowers. The DEQ will draw EPA grant funds in an amount for the payment of or refinancing or reimbursement of Borrowers for costs of Projects and, upon receipt of such amounts, will remit them to the Trustee for deposit in the Loan Account with funds from the State Allocation Account in accordance with Sections 5.04 and 5.06 of the Indenture. Such amounts will be disbursed by the Trustee at the direction of the DNRC to make advances of Loans. Interest earnings on amounts in the Loan Account are to be transferred to the Investment Subaccount as received.

5.7. Amounts are to be deposited in the SRF Administration Account from proceeds of a series of Bonds, from EPA grant funds for permitted administrative costs under the Clean Water Act and from advances from the Special Administrative Cost Account. From the net proceeds of the Series 2005G Bonds, \$35,623.33 will be deposited in the SRF Administration Account. Amounts in the SRF Administration Account are to be remitted to the DEQ or the DNRC for payment of administrative expenses or transferred to the Special Administrative Costs Account upon the written requisition of the DNRC and at the direction of the State Treasurer. If, at any time, a DNRC representative certifies to the Trustee that all or a portion of the amount on deposit in the SRF Administration Account is not needed to pay administrative costs of the Program, the Trustee is to transfer the amount described in such certificate to the Bond Proceeds Subaccount in the State Allocation Account. Interest earnings on amounts in the SRF Administration Account are to be transferred to the Investment Subaccount as received.

5.8. The principal of, premium, if any, and interest on the Bonds are payable primarily from the Debt Service Account. All capitalized interest, if any, funded from proceeds of Bonds, payments of interest on the Loans and interest earnings on the Bond Proceeds Subaccount are to be deposited in the Debt Service Account as received. In addition, amounts will be deposited in the Debt Service Account from the Investment Subaccount if needed to meet the requirements of

the Debt Service Account. If, notwithstanding the transfers from the Investment Subaccount and the Loan Loss Reserve Account, on any interest payment date, the amount on deposit in the Debt Service Account is insufficient to pay the principal of, premium, if any, and interest on, the Bonds payable thereon, the Trustee is to submit a claim to the State Treasurer on or before 10:00 a.m. on such date indicating the amount by which the Debt Service Account is deficient to pay such principal, premium and interest and demanding immediate payment of the amount of the deficiency, which shall be payable upon demand.

The amounts in the Debt Service Account will be used as follows and in the following order of priority:

(1) on each interest payment date, an amount equal to the interest due on the Bonds on such date will be used to pay such interest;

(2) on each date on which principal is due on the Bonds (including pursuant to mandatory sinking fund redemption), an amount equal to the principal then due is to be used to pay such principal;

(3) amounts in the Debt Service Account are to be transferred to the Rebate Account at the times and in the amounts required to meet the requirements thereof; and

(4) on the second Business Day after July 15 in each year, any remaining amounts in the Debt Service Account are to be transferred to the Investment Subaccount in the State Allocation Account; provided that (i) amounts representing capitalized interest shall be retained in the Debt Service Account and (ii) amounts deposited in the Debt Service Account and to be applied to the payment of principal or the redemption price of Bonds not yet surrendered to the Trustee for payment shall be retained in the Debt Service Account, but shall not be included in the amount on deposit therein available for the payment of principal of or interest on other Bonds.

Interest earnings on amounts in the Debt Service Account are to be transferred to the Investment Subaccount.

The Debt Service Account is established primarily to achieve a proper matching of revenues and debt service within each Bond Year and is expected to be depleted at least once in each twelve-month period on the second Business Day following July 15, except for a carryover amount not to exceed one-twelfth of the annual debt service (exclusive of amounts representing capitalized interest) in the preceding Bond Year.

5.9. Certain Borrowers in the Program will be obligated to make payments of the Loan Loss Reserve Surcharge, which are to be deposited in the Loan Loss Reserve Account. In addition, any Origination Fees paid by Borrowers upon the Closing of their Loans are to be deposited in the Loan Loss Reserve Account. Amounts in the Loan Loss Reserve Account are to be used to pay principal of or interest on Bonds to the extent amounts in the Debt Service Account are insufficient to make such payments, after the transfer from the Investment Subaccount described in paragraph 5.8 hereof, to redeem Bonds in accordance with their terms, to make deposits to the Rebate Account if required to meet the requirements thereof or to repay the State Treasurer any amounts advanced pursuant to a demand, upon the written request of the State Treasurer. All interest earnings on the amounts in the Loan Loss Reserve Account are to

be transferred to the Principal Subaccount. Any amounts in the Loan Loss Reserve Account in excess of the Loan Loss Reserve Requirement are to be transferred to the Special Administrative Costs Account or, if DNRC so directs from time to time, to the Principal Subaccount in the Revenue Subaccount in the State Allocation Account or to such other fund or account in the State Treasury authorized by State law as a DNRC Representative shall designate, or segregated in a separate subaccount in the Loan Loss Reserve Account and applied to any costs of activities under the Program authorized by State law as a DNRC Representative shall designate.

5.10. Amounts are to be transferred to the Special Administrative Costs Account from the SRF Administration Account as described in paragraph 5.7 hereof, including the repayment of any advances made thereto. In addition, all Administrative Expense Surcharges due on the Loans are to be deposited in the Special Administrative Costs Account. Amounts in the Special Administrative Costs Account are to be disbursed to pay costs of administering the Program which are authorized by the Clean Water Act and the Act. Interest earned on amounts in the Special Administrative Costs Account will be retained therein. If, at any time, a DNRC representative certifies to the Trustee that all or a portion of the amount on deposit in the Special Administrative Costs Account is not needed to pay administrative costs of the Program, the Trustee is to transfer the amount described in such certificate to the Principal Subaccount in the Revenue Subaccount in the State Allocation Account.

5.11. The Rebate Account is established to permit the Board of Examiners to segregate the rebatable arbitrage, if any, required to be remitted to the United States under the Internal Revenue Code. The Rebate Account is not subject to the pledge of the Indenture. Amounts on hand in the Rebate Account may be invested without regard to Yield restriction. Interest earnings on amounts on hand in the Rebate Account shall be retained therein or, at the request of a DNRC Representative at any time or from time to time, they shall be transferred to the Debt Service Account.

5.12. Except to the extent indicated in this Section V, the State has not created or established, and does not expect to create or establish, any sinking or similar fund which is reasonably expected to be used to pay debt service on the Series 2005G Bonds or which is pledged as collateral to secure the Series 2005G Bonds. No amounts in any other funds or accounts of the State are reserved for or pledged to the payment of debt service on the Series 2005G Bonds or will be used to replace funds that will be used to pay debt service on the Series 2005G Bonds.

#### VI. Election To Apply Spending Requirements to Each 2005G Loan.

For purposes of Sections 148(c)(2)(D) and 148(f)(4)(C)(v) of the Code, relating to the initial temporary period and arbitrage rebate, and as authorized by Section 1.148-7(b)(6) of the Regulations, the State hereby elects to apply the spending exceptions available under Section 1.148-7 of the Regulations to each of the 2005G Loans. As a consequence, the applicable spending requirements for each 2005G Loan begin on the Commencement Date therefor. The DNRC will make, on behalf of the State, any elections applicable to such spending requirements for a particular 2005G Loan before the Commencement Date therefor. Based on the Binding Commitments executed by the 2005G Borrowers listed on Exhibit A hereto, however, it is expected that all 2005G Loans will be "construction issues" within the meaning of Section 1.148-7(f) of the Regulations.

As a result of the foregoing election, the Gross Proceeds of the Series 2005G Bonds are subject to the rebate requirements of Section 148(f) of the Code before the applicable Commencement Date for such Gross Proceeds, as provided in Section 1.148-7(b)(6)(ii)(A) of the Regulations. In particular, the principal amount of the Series 2005G Bonds to be used to fund a 2005G Loan, which is on deposit in the Bond Proceeds Subaccount, and the amount of proceeds of the Series 2005G Bonds on deposit in the SRF Administration Account allocable to such 2005G Construction Loan shall be treated as Gross Proceeds for purposes of this Certificate and Agreement.

VII. Temporary Investments and Transferred Proceeds.

7.1. Except as described in paragraphs 7.2, 7.3, 7.4, 7.5 and 7.6 and Section VIII hereof, none of the proceeds of the Series 2005G Bonds or funds of the State deposited as described in Section V hereof will be invested at a materially higher Yield for a temporary period.

7.2. Proceeds of the Series 2005G Bonds deposited in the 2005G Bond Proceeds Subaccount, the Cost of Issuance Account and the SRF Administration Account, as described in paragraphs 5.3, 5.5 and 5.7 hereof, and allocable to a 2005G Loan (such allocation to be made pro rata, in the proportion that the principal amount of the Series 2005G Bonds to be used to fund such Loan bears to the principal amount of the Series 2005G Bonds deposited in the Bond Proceeds Subaccount on the date of this Certificate and Agreement) may be invested at a materially higher Yield for a temporary period ending (i) with respect to a 2005G Construction Loan, on the date that is two years after the Commencement Date therefor, and (ii) with respect to a 2005G Nonqualifying Loan, on the date that is six months after the Commencement Date therefor, pursuant to Section 148(c)(2) of the Code and Section 1.148-2(e)(2) of the Regulations. For purposes of this paragraph 7.2 and based on the expectation set forth in Section VI, it shall be assumed that all 2005G Loans are 2005G Construction Loans; provided that if not all 2005G Loans have been closed by May 5, 2006, it shall be assumed that the remaining 2005G Loans are not 2005G Construction Loans until such a 2005G Loan is closed and such 2005G Loan qualifies as a 2005G Construction Loan.

In furtherance of the foregoing, it is expected that:

(a) The DNRC will enter into the 2005G Loans with the Borrowers listed on Exhibit A hereto within six months after the date hereof obligating the DNRC to advance not less than 85% of the amounts on deposit in the Bond Proceeds Subaccount, with EPA grant funds, as disbursements of such 2005G Loans as construction on the projects to be funded by the 2005G Loans (the "2005G Projects") progresses and costs are incurred by the Borrower, subject to the limitations contained in Section 7.08 of the Indenture. The DNRC expects to make all 2005G Loans by May 5, 2006.

(b) Within six months after the date hereof, 2005G Borrowers will have entered into one or more substantial binding obligations to commence or acquire one or more 2005G Projects, evidenced by contracts or binding commitments in an aggregate amount not less than five percent of the net sale proceeds of the Series 2005G Bonds (i.e., \$105,500.00).

(c) Each of the Borrowers of the 2005G Loans upon the closing of its 2005G Loan will proceed thereafter with due diligence to complete the 2005G Project to be financed thereby.

(d) Not less than 85% of the proceeds of the Series 2005G Bonds deposited in the Bond Proceeds Subaccount will be advanced to the Borrowers and applied by the Borrowers and allocated to expenditures for 2005G Projects within three years after the date hereof.

(e) Not less than 85% of the proceeds of the Series 2005G Bonds deposited in the SRF Administration Account will be allocated to expenditures for administrative costs of the Program within three years after the date hereof.

(f) It is expected that all of the proceeds of the Series 2005G Bonds deposited in the Cost of Issuance Account will be allocated to expenditures for issuance of the Series 2005G Bonds by October 1, 2005.

#### 7.3. [reserved]

7.4. The Principal Subaccount in the Revenue Subaccount in the State Allocation Account is a revolving fund to make additional Loans. Amounts on deposit therein allocable to the Series 2005G Bonds may be invested at a Yield in excess of the Yield of the Series 2005G Bonds for a period of three months after credit to the Principal Subaccount as permitted by Section 1.148-2(e)(4)(ii)(A) of the Regulations, but thereafter such funds either shall be invested in Non-AMT Obligations or shall not be invested at a Yield in excess of the Yield of the Series 2005G Bonds, except as permitted by paragraph 11.1 hereof or, upon the making of a new Loan therefrom, as permitted by Section 1.148-2(e)(4)(ii)(B) of the Regulations.

### VIII. The Debt Service Account and the Loan Loss Reserve Account.

8.1. Pursuant to the Indenture, the principal of and interest on the Series 2005G Bonds are to be paid from the Debt Service Account and, if necessary, from amounts transferred thereto from the Investment Subaccount, and, if then necessary, from amounts on deposit in the Loan Loss Reserve Account. The State does not reasonably expect to use any other fund or account to pay principal of or interest on the Series 2005G Bonds. The revenues pledged and appropriated by the Indenture to the Debt Service Account, as described in Section V hereof, are expected to produce amounts sufficient to pay all principal of and interest on the Bonds, including the Series 2005G Bonds, when due. As described in paragraph 5.8 hereof, the Debt Service Account is established to achieve a proper matching of revenues and debt service and amounts therein will be depleted to pay debt service on the Bonds at least once in each twelve-month period, except for a carryover amount not to exceed the greater of one year's earnings on the Debt Service Account or one-twelfth of annual debt service in the immediately preceding Bond Year. It is expected that all amounts on hand in the Debt Service Account allocable to the Series 2005G Bonds will be used to pay the principal of and interest on the Series 2005G Bonds on or before the next succeeding July 15 or be transferred therefrom to the Investment Subaccount on the second Business Day after each July 15, as described in paragraph 5.8 hereof, except for a reasonable carryover amount which is not expected to exceed the greater of (i) the earnings on money in the Debt Service Account allocable to the Series 2005G Bonds for the immediately preceding Bond Year or (ii) one-twelfth of the annual debt service on the Series 2005G Bonds in

the immediately preceding Bond Year. Consequently, the amounts on deposit in the Debt Service Account allocable to the Series 2005G Bonds constitute a "bona fide debt service fund" for the Series 2005G Bonds within the meaning of Section 1.148-1(b) of the Regulations. Thus, such amounts will be eligible for investment at an unrestricted Yield for a temporary period of up to 13 months, except as provided in paragraph 8.2 hereof.

8.2. If at any time the amount on hand in the Debt Service Account allocable to the Series 2005G Bonds exceeds the amount to be paid out from the Debt Service Account with respect to principal of and interest on the Series 2005G Bonds on or before the next succeeding July 15 plus the reasonable carryover amount described in paragraph 8.1 hereof, such excess shall be invested in Non-AMT Obligations or such excess shall not be invested at a Yield which exceeds the Yield of the Series 2005G Bonds, except as permitted by paragraph 11.1 hereof.

8.3. The Loan Loss Reserve Account secures all Bonds from time to time Outstanding. The purpose of the Loan Loss Reserve Account is to ensure the sufficiency of adequate revenues for the timely payment of the principal of and interest on the Bonds in the event of a delay in receipt of repayments of the Loans or other factors resulting in a temporary inability of the State otherwise to provide for the timely payment of the debt service on the Bonds before having to honor the pledge of its full faith and credit to the Bonds. The balance in the Loan Loss Reserve Account is not expected to exceed, as of the date of calculation, the maximum amount of debt service payable on all Outstanding Bonds in the then current or any future fiscal year, or such lesser amount as may be established by the Board of Examiners pursuant to a Supplemental Indenture (the "Loan Loss Reserve Requirement"). Unless the Regulations otherwise provide, the State will allocate amounts on deposit in the Loan Loss Reserve Account, as a commingled fund, pro rata, to each Series of Bonds then Outstanding, in proportion to the original principal amounts of each such Series.

The amount on hand in the Loan Loss Reserve Account allocable to the Series 2005G Bonds (the "2005G Reserve Amount") may not be invested at a Yield materially higher than the Yield of the Series 2005G Bonds, except as permitted by paragraph 11.1 hereof. As of July 1, 2005, the 2005G Reserve Amount is estimated to be \$131,161. The 2005G Reserve Amount will be funded to required levels as loans to 2005G Borrowers are repaid.

#### IX. Sale Proceeds.

9.1. The sale proceeds of the Series 2005G Bonds will not exceed the amount necessary to achieve the governmental purposes described in Section II hereof. To the extent that proceeds of such Series 2005G Bonds constitute "excess gross proceeds" within the meaning of Section 1.148-10(c) of the Regulations, such excess gross proceeds will not exceed one percent of the sale proceeds of such Bonds. No portion of the Series 2005G Bonds is issued solely for the purpose of investing the proceeds at a materially higher Yield than the Yield of the Series 2005G Bonds.

9.2. In connection with the issuance of the Series 2005G Bonds, except as specifically provided in Sections 148(c) and (d) of the Code, the State has not engaged and will not engage in any transaction or series of transactions (i) enabling the State to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (ii) increasing the burdens on the market for tax-exempt obligations in any manner including, without limitation, by selling bonds that would not otherwise be sold, or by selling more bonds, or

issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

9.3. None of the proceeds of the Series 2005G Bonds will be used directly or indirectly to replace funds which were used directly or indirectly to acquire obligations with a Yield that is materially higher than the Yield of the Series 2005G Bonds.

#### X. Miscellaneous

10.1. To the best knowledge of the State, none of the 2005G Borrowers has a present intention to sell or otherwise dispose of any of the 2005G Projects before the maturity of the Series 2005G Bonds, and the State has no present intention to sell or dispose of any 2005G Loans before the maturity of the Series 2005G Bonds.

10.2. The Series 2005G Bonds will not be outstanding longer than necessary, within the meaning of Section 1.148-1(c)(4) of the Regulations. The weighted average maturity of the Series 2005G Bonds is expected not to exceed 120% of the average reasonably expected economic life of the 2005G Projects, determined under Section 147(b) of the Code.

10.3. The State expects that the 2005G Projects will continue to be owned and operated by the respective 2005G Borrowers substantially in the manner in which they are now owned and operated for an indefinite period concluding not earlier than the final stated maturity date of the Series 2005G Bonds.

The State reasonably expects that during the term of the Series 2005G Bonds no private business use will be made of the 2005G Projects and that no private payments or security will be made or furnished that would cause the Series 2005G Bonds to be private activity bonds within the meaning of Section 141 of the Code. No proceeds of the Series 2005G Bonds are being or will be loaned to any nongovernmental Person. The State reasonably expects that the Series 2005G Bonds will not be private activity bonds within the meaning of Section 141 of the Code and applicable Regulations.

#### XI. Minor Portion; Valuation; Accounting Method.

11.1. An aggregate amount not to exceed the "minor portion" amount for the Series 2005G Bonds (\$100,000) may be invested pursuant to Section 148(e) of the Code without restriction as to Yield. The following amounts in the aggregate may be invested up to the minor portion amount at a Yield greater than the Yield of the Series 2005G Bonds: (i) the amount of proceeds of the Series 2005G Bonds credited to the Bond Proceeds Subaccount, the SRF Administration Account or the Costs of Issuance Account that are allocable to a 2005G Loan and have been credited thereto longer than the period described in paragraph 7.2 hereof, (ii) the amount on hand in the Principal Subaccount and allocable to the Series 2005G Bonds and that has been credited thereto longer than the period described in paragraph 7.4 hereof, (iii) the amount on hand in the Debt Service Account (exclusive of capitalized interest) and allocable to the Series 2005G Bonds exceeds the amount described in paragraph 8.2 hereof relating thereto, and (iv) the 2005G Reserve Amount on deposit from time to time in the Loan Loss Reserve Account. Such amounts are Gross Proceeds of the Series 2005G Bonds, however, and subject to the rebate requirements set forth in Sections XII and XIII hereof.

11.2. Except to the extent otherwise specifically provided in the Indenture, in valuing the amount on hand at any time for purposes of the limitations on investment described in this Certificate and Agreement, Eligible Investments shall be taken into account at their fair market value.

11.3. In accounting for amounts on deposit in the Funds and Accounts established by the Indenture, the Board of Examiners will use the first-in-first-out method.

## VII. Rebate.

12.1. The State, in Section 6.4(b) of the Fifteenth Supplemental Indenture, has covenanted to comply with the requirements of Section 148(f) of the Code with respect to the Series 2005G Bonds. The State acknowledges that, while the Internal Revenue Service has now issued Regulations with respect to computing whether any rebate amount is due the United States under Section 148(f) of the Code, those Regulations reserve certain matters for further elaboration. The State covenants that it will consult with Bond Counsel and undertake to determine what is required with respect to the rebate provisions contained in Section 148(f) of the Code from time to time and will comply with any requirements that may be applicable to the Series 2005G Bonds. The methodology described in this Certificate and Agreement will be followed, except to the extent inconsistent with any requirements of future regulations or written advice received from Bond Counsel.

12.2. The State has agreed to keep the Rebate Account separate and apart from all other funds and money held by it and shall administer the Rebate Subaccount consistent with the provisions of this Certificate and Agreement. For bookkeeping purposes, the State shall account separately for the Rebatable Arbitrage payable in respect of each series of Bonds to which Section 148(f) applies. The following provisions in this Section XII and in Section XIII hereof relate only to the Series 2005G Bonds and do not refer to the aggregate liability of the State with respect to the Rebatable Arbitrage that may be payable with respect to all series of Bonds.

12.3. Detailed records with respect to each and every Nonpurpose Investment attributable to Gross Proceeds of the Series 2005G Bonds will be maintained by the State including: (i) purchase date, (ii) purchase price, (iii) brokerage or other transaction costs of purchase, (iv) information establishing fair market value on the date such investment became a Nonpurpose Investment, (v) any accrued interest paid, (vi) face amount, (vii) coupon or stated interest rate, (viii) periodicity of interest payments, (ix) disposition price, (x) any accrued interest received, (xi) disposition date, and (xii) brokerage or other transaction costs of disposition. Such detailed recordkeeping is required for the calculation of the Rebatable Arbitrage which, in part, will require a determination of the difference between the actual aggregate earnings of all the Nonpurpose Investments and the amount of such earnings assuming a rate of return equal to the Yield of the Series 2005G Bonds.

12.4. For purposes of Sections XII and XIII hereof, amounts credited to the Debt Service Account and allocable to the Series 2005G Bonds do not constitute Gross Proceeds of the Series 2005G Bonds to the extent in the Bond Year they constitute a "bona fide debt service fund" for the Series 2005G Bonds within the meaning of Section 1.148-1(b) of the Regulations. For purposes of this paragraph 12.4, the term "gross earnings" means the aggregate amount earned on the Nonpurpose Investments in which the Gross Proceeds deposited to the bona fide debt

service fund are invested, including amounts earned on such amounts if allocated to the bona fide debt service fund.

### XIII. Rebatable Arbitrage Calculation and Payment.

13.1. As provided in Section VI hereof, the State has elected that the spending requirements will apply separately for each 2005G Loan and that they will commence for each 2005G Loan on the Commencement Date therefor, instead of the date of issuance of the Series 2005G Bonds.

13.2. If a 2005G Loan meets the spending requirements of the 18-month spending exception in Section 1.148-7(d) of the Regulations, the State may determine that the Gross Proceeds of such 2005G Loan are not to be treated as Gross Proceeds for purposes of Sections XII and XIII of this Certificate and Agreement. For this purpose, the Gross Proceeds of the 2005G Loan would include (i) the principal amount of the Series 2005G Bonds to be used to fund such 2005G Loan and the amount of proceeds of the Series 2005G Bonds on deposit in the SRF Administration Account allocable to such 2005G Loan, (ii) the investment income derived from the Commencement Date to the date of calculation allocable to the proceeds of the Series 2005G Bonds on deposit in the Bond Proceeds Subaccount to be used to fund such 2005G Loan and on deposit in the SRF Administration Account and allocable to such 2005G Loan, (iii) investment income derived from the Commencement Date to the date of calculation on amounts allocable to the 2005G Loan in the Loan Loss Reserve Account, if any, and (iv) investment income derived from amounts described in clauses (ii) and (iii).

13.3. If a 2005G Loan is a 2005G Construction Loan and the expenditure tests set forth in Section 148(f)(4)(C)(ii) of the Code and Section 1.148-7(e)(1) of the Regulations are met (i.e., the following percentages of Available Construction Proceeds are spent within the following periods beginning on the Commencement Date for such 2005G Construction Loan: 10% within six months, 45% within one year, 75% within 18 months and 100% within two years (subject to a reasonable contractual retainage amount not exceeding five percent of the Available Construction Proceeds for such 2005G Construction Loan to be spent within three years), then the State may determine that the Available Construction Proceeds of such 2005G Construction Loan are not to be treated as Gross Proceeds for purposes of Sections XII and XIII of this Certificate and Agreement.

13.4. If a 2005G Loan qualifies for the 2005G Borrower for the "small issuer" exception to the rebate requirements of Section 148(f) of the Code, the State may determine that the Gross Proceeds of such 2005G Loan are not to be treated as Gross Proceeds for purposes of Sections XII and XIII of this Certificate and Agreement. For this purpose, the Gross Proceeds of the 2005G Loan would include (i) the principal amount of the Series 2005G Bonds to be used to fund such 2005G Loan and the amount of proceeds of the Series 2005G Bonds on deposit in the SRF Administration Account allocable to such 2005G Loan, (ii) the investment income derived from the Commencement Date to the date of calculation allocable to the proceeds of the Series 2005G Bonds on deposit in the Bond Proceeds Subaccount to be used to fund such 2005G Loan and on deposit in the SRF Administration Account and allocable to such 2005G Loan, (iii) investment income derived from the Commencement Date to the date of calculation on amounts allocable to the 2005G Loan in the Loan Loss Reserve Account, if any, and (iv) investment income derived from amounts described in clauses (ii) and (iii).

13.5. For each 2005G Nonqualifying Loan that does not meet the 18-month spending exception or the small issuer exception to arbitrage rebate, if all of (i) the principal amount of the Series 2005G Bonds to be used to fund such Loan and the amount of proceeds of the Series 2005G Bonds on deposit in the SRF Administration Account allocable to such 2005G Nonqualifying Loan, (ii) the investment income derived from the Commencement Date to the date of calculation allocable to the proceeds of the Series 2005G Bonds on deposit in the Bond Proceeds Subaccount to be used to fund such Loan and on deposit in the SRF Administration Account and allocable to the 2005G Nonqualifying Loan, (iii) investment income derived from the Commencement Date to the date of calculation on amounts allocable to the 2005G Nonqualifying Loan in the Loan Loss Reserve Account, if any, and (iv) investment income derived from amounts described in clauses (ii) and (iii) are expended within six months after the Commencement Date for the 2005G Nonqualifying Loan, then the State may determine that the amounts in clauses (i) through (iv) shall not be treated as Gross Proceeds under Section 148(f)(4)(B) of the Code and Section 1.148-7(c) of the Regulations for purposes of Sections XII and XIII of this Certificate and Agreement.

13.6. For purposes of complying with Section 148(f), the State will prepare or have prepared a calculation of the Rebtable Arbitrage consistent with the rules described in this Section XIII. The State will prepare (and deliver to the Trustee) the calculation of the Rebtable Arbitrage within 30 days after the Computation Date. The State will within 30 days after each Voluntary Computation Date calculate the Rebtable Arbitrage on the assumption such Voluntary Computation Date is a Computation Date. Concurrently with the making of such calculations, the State shall cause to be deposited in the Rebate Account the amount indicated by those calculations as necessary to increase the amount held in the Rebate Account allocable to the Series 2005G Bonds to the amount of Rebtable Arbitrage from the sources described in Section 5.11 of the Indenture or, if appropriate, may reduce the amount held in the Rebate Account allocable to the Series 2005G Bonds to the amount of Rebtable Arbitrage and deposit the excess, if any, into the Debt Service Account.


13.7. The State shall pay to the United States Department of the Treasury from the Rebate Account (A) not later than 60 days after each installment Computation Date relating thereto, an amount equal to at least 90% of the Rebtable Arbitrage calculated as of the installment Computation Date; and (B) not later than 60 days after the final Computation Date, an amount equal to 100% of the Rebtable Arbitrage. If sufficient funds are not available in the Rebate Account to make the required payment, the State will make the payment from the sources described in Section 5.11 of the Indenture.

13.8. Each payment required to be made pursuant hereto shall be filed with the Internal Revenue Service Center, Ogden, Utah 80420 (or at such other address as the Internal Revenue Service may from time to time designate), on or before the date such payment is due, and shall be accompanied by a completed and executed Internal Revenue Service Form 8038-T. The State shall retain records of the calculations required by this Section XIII until six years after the final Computation Date.

13.9. The State shall file or cause to be filed such reports or other documents with the Internal Revenue Service as required by Section 148(f) of the Code in accordance with an Opinion of Bond Counsel.

13.10. Notwithstanding anything in this Certificate and Agreement or any other provisions of the Indenture to the contrary, the obligation to remit the Rebatale Arbitrage to the United States Department of the Treasury and to comply with all other requirements contained in this Certificate and Agreement shall survive the defeasance of the Series 2005G Bonds.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the State as of this 5th day of May, 2005.

  
\_\_\_\_\_  
Mary Sexton, Director  
Department of Natural Resources  
and Conservation

\$2,110,000  
General Obligation Bonds  
(Water Pollution Control State Revolving  
Fund Program), Series 2005G  
State of Montana

EXHIBIT A TO ARBITRAGE CERTIFICATE AND AGREEMENT

PRELIMINARY LIST OF 2005G BORROWERS  
AND COMMITTED AMOUNTS OF 2005G LOANS

<u>Borrowers</u>	<u>Committed Amount</u>
Big Fork	\$ 2,350,000
Billings	6,000,000
Dodson	240,000
Manhattan	1,500,000
Missoula, City of	1,500,000
Missoula County	
-- El Mar	169,000
-- Golden West	14,000
-- Mullan Trail	31,000
-- Country Crest	238,000
Richey	80,000
Rudyard	83,000
Scobey	1,206,000
Superior	250,000
Total	<hr/> \$13,661,000

LIST OF 2005G LOANS FUNDED WITH PROCEEDS OF SERIES 2005 NOTES

<u>Borrowers</u>	<u>Committed Amount</u>
City of Livingston	\$ 59,533
City of Missoula SID 524	22,033
East Helena	68,422
Town of Kevin	5,343
Big Sky	73,576
Virginia City	15,022
Hardin	1,028
Missoula Co. El Mar RSID	3,558
Missoula Co. Mullan Tr RSID	4,074
Missoula Co. Country Crest RSID	11,881
Missoula Co. Golden West RSID	528
Total	<hr/> \$264,998

\$2,110,000  
General Obligation Bonds  
(Water Pollution Control State Revolving  
Fund Program), Series 2005G  
State of Montana

EXHIBIT B TO ARBITRAGE CERTIFICATE AND AGREEMENT

CERTIFICATE OF ORIGINAL PURCHASERS

D.A. DAVIDSON & CO., of Great Falls, Montana, and PIPER JAFFRAY & CO., of Denver, Colorado (collectively, the "Original Purchasers"), hereby certify as follows with respect to the above-described Bonds (the "Series 2005G Bonds") of the State of Montana (the "State").

1. The price paid for the Series 2005G Bonds is reasonable under customary standards applicable in the municipal bond market.
2. All of the Series 2005G Bonds have been the subject of an initial offering to the public (excluding bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement, dated April 19, 2005, between the Board of Examiners of the State of Montana and us, at the price shown on the cover of the Official Statement, dated April 19, 2005, relating to the Series 2005G Bonds (the "Official Statement"), including interest accrued, if any, on the Series 2005G Bonds from the date of original issue thereof.
3. To the best of our knowledge, based on our records and other information available to us which we believe to be correct, at least 10% of the principal amount of the Series 2005G Bonds of each stated maturity were sold to the public (excluding bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective initial offering prices shown on the inside cover of the Official Statement, plus interest accrued on the Series 2005G Bonds from the date of original issue thereof.
4. The yield of the Series 2005G Bonds (without taking into account costs of issuance of the Series 2005G Bonds and on the basis of the initial reoffering prices of the Series 2005G Bonds to the public) is 3.9247396% per annum, as evidenced by the schedule attached hereto.
5. The weighted average maturity of the Series 2005G Bonds, based on the issue price of the Series 2005G Bonds from their date of issue (not on the basis of the principal amount of the Series 2005G Bonds or from their dated date), is 9.008 years.

6. The terms used herein have the same meaning given them in Section 148 of the Code and the Regulations applicable thereunder or in the foregoing Arbitrage and Rebate Certificate and Agreement of an officer of the State, of even date herewith.

Dated: May 5, 2005.

D.A. DAVIDSON & CO.  
PIPER JAFFRAY & CO.

By D.A. DAVIDSON & CO.

By Garon T. Rindis  
Its Vice President

11/13/06

NAME OF ISSUE: Coal Severance Tax '03A  
DATE OF ISSUE:  
ACCOUNT NAME: CST 03A  
TOTAL ISSUE AMOUNT: \$3,000,000.00

DATE of TRANS	PROCEEDS	RESERVE CST	PROCEEDS	DS FUND INV EARN	PROCEEDS INV EARN	DSR INV EARN	INV EARNINGS TOTAL	DISBURSEMENTS 02991 Expends	ACCOUNT BALANCE	NOTES
03-Jun-03	60,000.00						0.00		60,000.00	GOOD FAITH CHECK
06-Jun-03	2,911,013.36						0.00		2,971,013.36	US BANK WIRE IN
06-Jun-03	28,986.64						0.00		3,000,000.00	BOND DISCOUNT
25-Jun-03							0.00	67,169.42	2,932,830.58	ISSUANCE COSTS/FEES
30-Jun-03							0.00		2,933,917.95	STIP
30-Jun-03			1,087.37				1,087.37		2,934,152.96	DSR
23-Jul-03	93,900.00					235.01	235.01	223,707.50	2,710,445.46	AMOUNT INTO DSR
01-Aug-03							0.00	1,759,942.00	1,044,403.46	Loan Disbursement
02-Sep-03							0.00		1,046,660.95	STIP
15-Sep-03							2,257.49		1,047,574.80	STIP
01-Oct-03							913.85		1,048,010.30	STIP
20-Oct-03							435.50		1,048,999.97	STIP
03-Nov-03							989.67		1,049,206.57	STIP
01-Dec-03							206.60		1,050,229.99	STIP
01-Jan-04							1,023.42		1,051,221.50	STIP
26-Jan-04							991.51		1,052,196.03	STIP
03-Feb-04							974.53		1,052,815.18	STIP
01-Mar-04							619.15		1,053,784.58	STIP
23-Mar-04							619.15		1,054,708.61	STIP
23-Mar-04		238.95					924.03		1,055,161.53	STIP
06-Apr-04		(238.95)					213.97		1,055,135.35	STIP
06-Apr-04		232.13					212.77		1,056,347.11	STIP
03-May-04		(252.13)					959.63		1,057,473.32	STIP
11-May-04		247.07					189.46		1,057,473.32	STIP
11-Jun-04		(247.07)					941.81		1,057,473.32	STIP
22-Jun-04		532.97					199.89		1,057,426.14	STIP
04-Aug-04		(532.97)					1,899.31		1,059,858.42	STIP
31-Aug-04		324.95					0.00	355,000.00	704,521.35	STIP
01-Sep-04		(324.95)					195.90		705,662.50	STIP
30-Sep-04		367.19					816.20		705,337.55	STIP
01-Oct-04		(367.19)					0.00		706,676.14	STIP
31-Oct-04		393.31					971.40		706,308.95	STIP
02-Nov-04		(393.31)					0.00		707,820.65	STIP
17-Nov-04							1,118.39		708,394.70	STIP
01-Dec-04							967.36		709,596.92	STIP
01-Jan-05							1,202.22		709,906.47	STIP
01-Feb-05							309.55		711,081.12	STIP
01-Mar-05							1,174.65		712,396.68	STIP
01-Mar-05							1,315.56		713,829.78	STIP
01-Mar-05							1,433.10		715,166.12	STIP
01-Mar-05							1,336.34		676,179.53	STIP
01-Mar-05							0.00	38,986.59		ADJUSTMENT

01-Apr-05	1,545.05	5.35	2,093.83	1,550.40	677,729.93	STIP
14-Apr-05				2,093.83	679,823.76	DSR INTREST
01-May-05	1,544.25	12.85		1,557.10	681,380.86	STIP
02-May-05			516.28	516.28	681,897.14	DSR INTREST
01-Jun-05	3,380.77	13.49		3,394.26	685,291.40	STIP
30-Jun-05			1,707.07	1,707.07	686,998.47	DSR INTREST
01-Aug-05	1,841.93	1.40		1,843.33	688,841.80	STIP
30-Aug-05			630.86	630.86	689,472.66	DSR INTREST
01-Sep-05	1,941.92	134.38		2,076.30	691,548.96	STIP
30-Sep-05			671.09	671.09	692,220.05	DSR INTREST
01-Oct-05	1,967.49	304.37		2,271.86	694,491.91	STIP
31-Oct-05			682.02	682.02	695,173.93	DSR INTREST
01-Nov-05	2,118.73	331.12		2,449.85	697,623.78	STIP
30-Nov-05			736.68	736.68	698,360.46	DSR INTREST
01-Dec-05	2,142.45	313.00		2,455.45	700,815.91	STIP
31-Dec-05			747.32	747.32	701,563.23	DSR INTREST
04-Jan-06	2,326.62			2,326.62	703,889.85	STIP
01-Feb-06	2,402.36	10.54		2,412.90	706,302.75	STIP
01-Mar-06	2,290.34	235.18		2,525.52	708,828.27	STIP
03-Apr-06	2,535.94	473.70		3,009.64	711,837.91	STIP
21-Apr-06			921.12	921.12	712,759.03	DSR INTREST
21-Apr-06			954.51	954.51	713,713.54	DSR INTREST
01-May-06			810.15	810.15	714,523.69	DSR INTREST
31-May-06	2,548.62	485.87		3,034.49	717,558.18	STIP
01-Jun-06			811.94	811.94	718,370.12	DSR
30-Jun-06	5,423.19	769.52		6,192.71	724,562.83	STIP
01-Aug-06			2,545.95	2,545.95	727,108.78	DSR
01-Sep-06	2,863.40	406.87		3,270.27	730,379.05	STIP
10-Sep-06	2,922.30	444.50		3,366.80	733,745.85	STIP
01-Oct-06			906.77	906.77	734,652.62	DSR INTREST
10-Oct-06	2,837.13	856.70		3,693.83	738,346.45	STIP
			929.39	929.39	739,275.84	DSR INTREST
TOTALS	3,093,900.00	0.00	19,450.14	90,181.35	739,275.84	
			2,444,805.51			